Sects. II-27—100,000—21-5-53.

Finance (1948) Department.

1/S. SERIES.

G.O. No. 835

835

Dated 26-5-48

[Despatch Abstract.]

SMALL SAVINGS SCHEME - Per capita income for the Madras Province for fixation of target - Information furnished to the National Savings Commissioner - Papers Recorded.

No.4194/9(1)-48/Statistics.
Government of India
Ministry of Finance.
Office of the National Savings Commissioner.
Simla, the 6th July, 1948.

From

THE NATIONAL SAVINGS COMMISSIONER.

To

The Chief Secretary to the Government of Madras,
Fort St. George, MADRAS.

Subject: Small Savings Scheme.

Sir,

This office would be greateful if the Provincial Government would kindly indicate the per capita income of the Province of Madras.

and also indicate the year to which it relates. The information is required in connection with the Governme refixation of the annual target of the Small-Savings Scheme for all the Provinces on the basis of per capita income.

An early reply would be highly appreciated.

Yours faithfully,

(Sd) ....
Deputy National Savings
Commissioner.

SP/22.6.

Finance (Ways and Means).

Letter No. 50291 Ways and Means -2 dated 20-8-1948.

To

The National Savings Commissioner,
Government of India, Ministry of Finance,
Simla.

Sir,

Sub: Small Savings Scheme - Per Capita income for the Madras Province.

Ref: Your letter No.4194/9(1)-48/Statistics dated 6-7-48.

With reference to your letter cited, I am directed to state that this Government have no definite and reliable information about the per capita income of this Province. But in the Report of the Economist for enquiry into Rural Indebtedness' compiled by Rao Bahadur Dr. B.V. NARAYANASWAMI NAIDU, he has given the average agricultural income for this Province as Rs. 144.4 in the year 1945. The Economic Adviser of this Government has however, attempted to work out the figure based on the Statistics available Dr. V.K.R.V. Rao's book 'The National Income of British India 1931-32' and on the of index numbers of wholesale prices for India and he arrives at a per capita income of Rs. 256 a year for this Province. Making some allowance for possible errors in this estimate the per capita income may it is suggested be soundly fixed at Rs.200 a year for papers of fixing the targets.

(SB) .....
20.8.48.

/True Copy/

SUPERINTENDENT

SP/22.6.

Madras Record Office.

Finance (Ways and Means).

Sub:- Small Savings Scheme - Re-fixation of annual target-per capita income of the province of Madras.

Ref:- From the National Savings Commissioner, Simla No.4194/9(1)-48/Statistics dated 6-7-1948.

Please see the letter from the National Savings Commissioner, Simla on page 1 C.F.

The National Savings Commissioner wants information about the per capita income of the province of Madras for the purpose of refixation of target for the Small Savings Scheme. In the year 1944 when the Scheme was introduced in this Province, the target for the Small Savings Scheme was fixed by the National Savings Commissioner at 3.5 annas per head per mensem or Rs. 13 crores a year for this Province based on the population of 49.34 millions, above target was presumably fixed on the basis of per capita income available for the whole of India. No information is available in this Department regard the per capita income of this Province. But in the 'Report of the Economist for enquiry into Rural indebtedness' Compiled by Rao Bahadur Dr. B.V. NARAYANASWAMI NAIDU, the average agricultural income for this Province is given as Rs. 144 .4 in the year 1945 - See Statement XXIX on page 108 of the report. The above figure releates only to agricultural income and does not include the income of the rural population other than Land holders or the population in urban areas. The National Savings Commissioner wants the per capita income of the whole population in this Province. Perhaps the Statistical Branch of the Economic Adviser may be able to furnish the required information. As the National Savings Commissioner wants an early reply, the Economic Adviser may be requested to treat the case as furnigh the Special information, if available, as early as possible.

(Sd) .....
15.7.1948.

Public (Economics and Statistics) Department.

With the time and with the material available no more than a rough estimate of the National Income of this Province can be attempted. As all income studies made in the past have related to India as a whole, the estimation of income for this Province should have the estimated income for India as a whole as the starting point. The most authoritative and upto date stydy of income in India is that made by Dr. V.K.R.V. Rao in his book published in 1940 entitled "The National Income of British India 1931-32". At page 187 of this book he has given a table showing the estimated income from 3 sources viz., (1) Agriculture, pasture, hunting and fishing (2) Industries and (3) Services including Trade, Transport, Government Professions and Domestic Serivces. The figures given in this Table relate to year 1931-32 when Burma formed Part of India and therefore they include the figures for Burma also. However in Appendix K to Dr. Rao's report the figures of income for Burma have been given separately. So eliminating the figures for Burma from the All India Totals, the figures of income for British India excluding Burma for 1931-23 as estimated by Dr. Rao will be as follows:-

SP/22.6.

Source.	Estimated income in millions of Rupees allowing for under-estimation in Agricultural income and income assessed to income-tax.
1. Agriculture, Pasture, Hunting and Fishing. ..	8,784
2. Industries. ..	2,677
3. Services including Trade, Transport, Government Profession and Domestic Service. ..	3,874
Total ..	15,335

In order to estimate the income of British India under each of the above heads under present conditions, the most feasible course is to raise the figures suitably with reference to the increase in the index number of wholesale prices with 1931-32 as base which has been weighted suitably for increase in production during the period 1931-32 to date.

The present series of index numbers of wholesale prices for India compiled by the Economic Adviser to the Government of India have the week ending 19-8-1939 as base or 100. Upto about the commencement of the year 1947, the Economic Adviser to the Government of India used to Publish two series of index numbers of wholesale prices (1) a series week ending 19-8-1939 as base or 100 and (2) a series with week ending 19-9-1931 as base or 100. As the latter series is no longer in existence, the index numbers of wholesale prices in India for the latest week i.e. week ending 3-7-1948 with 19-8-1939 as base or 100 had to be converted into indices with week ending 19-9-1931 as base by recourse to the method of splicing. The index numbers so calculated worked out to 546 for agricultural commodities and to 322 for Industrial products.

So far as agricultural commodities are concerned, there has not been any significant variation in production in British India since the base year 1931-32. The bare index of wholesale prices for agricultural commodities will therefore reflect with a fair degree of accuracy the variation in the value of agricultural output. The same cannot, however, be said of industrial products. Due largely to the impetus afforded by World War II, there was a significant increase in industrial activity in this country during the war years and the peak was reached in 1945-46. Though there has been some slackening in industrial activity since then, the present level of activity as judged by the index of industrial activity published by the Capital is still about 30 per cent higher than that for 1932-'33, the earliest year for which the series has been compiled. A reasonably correct appraisal of the variation in the value of industrial output in British India since the base year 1931-32, will therefore be afforded by the application of the correcting factor $\frac{130}{100}$ or $\frac{13}{10}$ to the index of 322 already worked out for industrial products. The appropriate index for Industries may thus be assumed to be $322 \times \frac{13}{10}$ or 419.

A separate index had in addition to be worked out for Services including Trade, Transport, Government, professions and Domestic Services. There were very little data f for use in the calculation of this index. Its estimation had therefore to be somewhat conjectural in character. Neverthless t the best possible use was made of such data as were available regarding the number of persons employed under each of the above services in the estimation of a weighted average index with reference to assumed reasonable indices showing the increase under each head since 1931-32. An allowance of 20 per cent was also made for the increase in the number of persons employed in the various services. The index, was finally taken as 300. The increase in this index is necessarily smaller relatively to the indeces worked out for Agriculture and Industries, as the income of persons occupied in Transport, Government, professional services etc., has not, as is well known, advanced to the same extent as the income from Agriculture or Industries.

With the data relating to the estimated income in 1931-32, and indices to show increase in income since 1931-32 to serve as backgound, the estimated income of British India (un-divided India) as in July 1948 was worked out as shown in the following table:

SOURCE.	Estimated National Income of British India (excluding Burma) in 1931 (in millions of Rs.)	Appropriate Index showing increase in income as compared with the base year 1931-32 for which the income is assumed as 100.	Estimated National Income of British India (undivided) as i July 1948 (ir millions of R
1. Agriculture, Pasture, Hunting and Fishing. ..	8,784	546	47,961
2. Industry. ..	2,677	419	11,217
3. Service including Trade, Transport Government professions and Domestic Service. ..	3,874	300	11,622
Total ..	15,335		70,800

The next step was to make the best possible estimate of National Income for this Province on the basis of the income worked out for India. Estimates of income for the Province were worked out by adopting what was considered as the most suitable ratio for the Madras Province compared to India under each of the three categories of income.

The ratio adopted for the first head i.e., Agriculture was based on the following criteria:

(1) Cultivated areas.

(2) Population occupied in the exploitation of the surface of the earth.

(3) Total yield of the principal crops.

(4) Livestock population (cows and cow buffaloes).

The ratios for Madras to India in the different cases worked out as 0.15, 0.16, 0.20, and 0.25 respectively; and the appropriate ratio in the case of Agricultural was, in the light of these figures assumed as 0.18.

Under Industry the most appropriate criterion is number of workers employed in the different industries. The ratio in this case worked out to 0.19. As the statistics relating to Industries in this Country are very deficient at the moment no other criterion with any claim to representativeness can be thought of in this connection.

Under the last head, ratios based on number of persons occupied in the Madras Province on the one hand and India on the other were separately worked out for Trade, Transport, Domestic Services, professions and liberal arts and they were suitably weighted with reference to the value of the income from the each of these sources as worked out by Dr. Rao in Table No. 52 at page 186 of his book. The weighted average ratio worked out to nearly 0.25.

Making use of the data, the National Income of the Madras Province as in July 1948 was worked out as shown in the statement below:-

Source.	Estimated National Income of British India (undivided) in July 1948.	Assumed ratio of income for Madras Province to income for india.(in millions of Rs.) .	Estimate income for Madras Province as in July 1948.
1. Agriculture, Pasture, hunting and fishing.	47,961	0.18	8,633
2. Industry.	11,217	0.19	2,131
3. Services including Trade, Transport, Government Professions & Domestic Services. ..	11,622	0.25	2,906
Total. ..	70,800		13,670

The above estimate of National income for this Province yields a per capita income of Rs. $\frac{13,670,000,000}{53,314,000} = 256$

Per annum.

Check: In the absence of previous estimates of per capita income from all sources for this Province, the Present estimate does not admit of check. The per capita income from agriculture alone has, however, been estimated at Rs. 144 in 1945 by Dr. B.V. NARAYANASWAMY NAIDU in his report on agricultural indebtendness. The accuracy of the present estimate of income from agriculture can therefore be tested with reference to Dr. Naidu's estimate. The index of wholesale prices of Agricultural commodities in the Province of Madras with week ending 21-8-1939 as base or 100 was 256 for the week ending 7-7-1945 and 421 for the week ending 3-7-1948. The percentage increase in the prices of agricultural commodities between

7-7-1945 as 3-7-1948 is therefore 64. The per capita income of agriculturists under present conditions based on Dr. Naidu's estimate of 1945 will therefore be in the neighbourhood of 144 X164 or Rs. 236 per annum. According to the estimate made above the total income of this Province from Agriculture is Rs. 8,633,000,000. As the total estimated Agricultural population of this Province is 36,142,000, the per capita income from Agriculture according to the figures worked out in this note is Rs. 239 per annum which is very close to the corresponding estimate based on Dr. Naidu's figures.

(Sd) .....
12.8.1948.

Finance (Ways and Means).

Please see the notes of Economic Adviser on page 2-7 above.

The Economic Adviser has attempted to work out an estimate of the national income for this Province based on the series index numbers of wholesale prices for India compiled by the Economic Adviser of the Government of India and on the report of Private investigators viz. Dr. V.K.R.V. Rao and Dr. B.V. NARAYANASWAMI NAIDU. It is evident that much attention has not been paid by the Government of India to the study of national income in India by which only a great deal about the economic well-being of a country can be judged. Even the figures worked out Dr. Rao and Dr. Naidu are not complete since the former relates to the income in 1931-32 and is out of date, while the latter relates to agricultural income only. In his recent speech at the General Body meeting of the shareholders of the Reserve Bank of India, the Governor of the Reserve Bank of India has emphasised the need for the establishment of an organisation for the compilation and interpretation of statistics of national income. An extract of his speech is given below:--

> "Statistics of national income have come to be recognised as the most important indicators of economic activity in the country and the components of national income are looked upon as useful determinants of economic policy. Both in the United States of America and in the United Kingdom the preparation of national income statistics is regarded as a Government responsibilities although there are private research organisations which have made outstanding contributions to the development of the subject".

Thus as no official figures of national income are available, an approximate estimate of the national income can only be worked out from the information available from documents published by private investigators and the series of index numbers for wholesale prices etc. published by the Economic Adviser of the Government of India. It may be mentioned that even in England before the war, investogations in national income were conducted by private investigators. Only since 1940 the British Government has paid much attention to this branch of 'applied economics!

The Economic Adviser has arrived at a per capita income of Rs. 256 per annum. He has explained in his notes in detail the basis and the methods adopted in his calculations.

SP/23.6.

According to the statement at foot of page 4 above, the increase, as compared with 1931 is about 5½ times under source (1), about 4 times under source (2) and 3 times under source (3). These figures seem high, because they are calculated exactly in proportion to the increase in index numbers. The following is an extract from the pamphlet 'British' National Income- its distribution and Redistribution' in which Britain's national income, its distribution etc. are fully discussed.

> "Since 1938 great changes have taken place and it is not so easy as in peace time to make a valid comparison of real income. In money terms without adjustment for price changes, the national income rose from £ 4,671 million in 1938 to £ 8,366 million in 1944 and subsequently fell to £ 7,974 million in 1946, the latest year for which estimates are available. It is anticipated that in 1947 the national income will turn out to have been in the neighbourhood of £ 8,400 million."

But in Britain, prices do not seem to have risen so high as in India especially in regard to food control owing to rigorous control and state subsidies.

It will be seen that the real income in Britain in 1946 was only less than twice that in 1938. The author of the pamphlet referred to above has dealth with his subject under three difference heads (1) changes in real income (2) the distribution of the national income between the factors of production and the distribution of personal income by size (3) the redistribution of income through public finance, that is, the effect of taxation and social services in changing the primary distribution of income. The above three heads have been dealt with in an exhaustive manner with the help of official and authentic statistics. Such an attempt is not evidently possible, here without the aid of relevant data, nor does it seem necessary for the present purpose (fixation of target for sales of National Savings Certificates).

The figure as arrived at by the Economic Adviser may be communicated to the National Savings Commissioner together with a copy of the Economic Adviser's note at pages 2-7 above.

A draft letter is submitted for approval.

(Sd) .....
18.8.48.

I do not think the Provincial National Savings Officer would be interested in the method adopted and in fixing a target for this province, it is better to be conservative. The letter may issue as revised.

T.N.S. Raghavan.
Secretary to Government.
20.8.48.

(Issued as letter No. 50291 ~~Finance~~ -2 dated 20-8-1948)

The letter to the National Savings Commissioner has been issued. The papers may now be recorded as a G.O. for future reference.

(Sd) .....
24.8.48.

G.O. No. 835-D/26-8-1948.

Small Savings Scheme per capita income for the Madras Province for fixation of target - Information furnished to the National Savings Commissioner - Papers Recorded
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SP/23.6.